



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/12/2001

GAIN Report #RP1066

Philippines

Oilseeds and Products

Philippine Palm Oil Industry

2001

Approved by:

Charles T. Alexander

US Embassy

Prepared by:

Perfecto G. Corpuz

Report Highlights:

The GOP will be developing its existing palm oil industry despite protests from coconut farmers. Oil palm has a shorter gestation period and a higher income potential per unit area when compared to coconuts. In 2000, the Philippines produced around 46,000 tons of palm oil and an estimated 5,300 tons of palm kernel oil while imports were 63,700 tons and 1,700 tons, respectively

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1], RP

According to the Philippine Coconut Authority (PCA), as of May 2001, there were over 16,700 hectares planted to oil palm in the Philippines. Oil palm plantations are located in Agusan del Sur (9,800 hectares), Sultan Kudarat (5,240 hectares), and Bohol (1,000 hectares). There were only two major palm oil (PO) producers, the Filipinas Oil Industry Incorporated (FOIIL) and the Kenram Plantation (KENRAM). The former has a production area of around 9,000 hectares while KENRAM has 5,245 hectares. Both are located in Mindanao.

From 1985 to 2000, the country produced an annual average of 53,100 MT of PO and 6,150 MT of palm kernel oil (PKO) which is only a little over half of the country's total PO and PKO requirement. The balance is imported from Indonesia, Malaysia, China and Singapore.

According to the PCA, an oil palm can produce fruit bunches that can be harvested after only 30 months or 2 ½ years after planting compared to some early nut bearing coconut palms that begin to bear nuts in 4 years. Oil palm fruit bunches can be harvested every 15 days throughout its productive life span which can reach up to 30 years. Most local coconut varieties, on the other hand, are harvested at 8-9 months (for food use) and 12 - 14 months (for copra). Coconut harvest is usually done on 45 day cycles. Local coconut varieties reach maximum yields at 12 years and level off until about 60 years when yields begin to decline.

The shorter gestation period and the higher income potential per unit area has encouraged the expansion of areas devoted to oil palm production. Most of these areas are in Mindanao. Surigao del Sur has a potential 93,790 hectares; Bukidnon with 65,000 hectares; Surigao del Norte and Zamboanga with over 31,000 hectares each of potential areas for oil palm production. Recently, a proposal to draft a Philippine Oil Palm Industry Master Plan reportedly has been presented to the PCA.

While coconut farmers are opposed to the development of palm oil being a direct competitor of CNO, the DA contends that the development of oil palm plantations will provide farmers, investors, the community and the country presents more potential benefits than disadvantages. Agriculture Secretary Leonardo Q. Montemayor believes that because competition from cheaper PO is stiff in the traditional oils market, CNO will find a niche market. According to Secretary Montemayor, developing the oil palm industry will result in the research and development in higher value coconut products and by-products.

During President Gloria Macapagal-Arroyo's state visit to Malaysia a few months ago, Malaysian Prime Minister Dr. Mahatir Mohammad responded positively to the GOP's call for investments on the palm oil industry in the country. The Philippines, through the DA, signed an agreement to expand Malaysia's oil palm plantations in Agusan del Sur by 13,500 hectares over the next 3 years through 2004. It reportedly would invest an average of P50,000 per hectare for raw materials and technology.